THE DINGLEY TARIFF BILL.

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THE framing of a tariff law, with all the delicate questions of public revenue which are interwoven with it, constitutes the most difficult and the most complicated problem that statesmanship has to deal with. Every statesman since the war who has been called upon to grapple with this question has either wrecked his party or himself, or both, before he was through with the job. The Hon. William D. Kelley, who was responsible for the Tariff Commission law of 1883, was not personally defeated, but his party suffered defeat at the next election. Morrison's two abortive tariff bills resulted in his defeat and retirement from Congress. The efforts of Roger Q. Mills in this direction, aided and abetted by President Cleveland, brought Democratic defeat in 1888, elected a Republican President, and returned the Republican party to power. Then came the famous McKinley tariff of 1890, in some respects a more judicious measure than the law of 1883, followed by the overwhelming defeat of the party enacting it at the following congressional election, and the temporary retirement from public life of its author. The effect of this legislation seems to have been carried forward into the Presidential election of 1892, and in spite of the prosperous condition of the country, the enemies of protection prevailed, and the party of free trade found itself in full possession of the government. With the advent of the Democratic party, Mr. Wilson came to the front, and the passage of the so-called Wilson-Gorman tariff act as usual sounded the death-knell of the new and rising statesman whose name became identified with the measure. History repeated itself. The law came into force in the early fall of 1894, and the following

November Mr. Wilson and all the other prominent advocates of the measure were swept out on a tidal wave higher and more disastrous to the party than the one that swept out the author and advocates of the McKinley law four years previous.

If these historic facts count for anything, they clearly indicate that tariff legislation is "extra hazardous" and that statesmen who undertake such dangerous economic work must be prepared for the rebound. They furthermore suggest that the minds of the people have become so completely perplexed by the exaggerated claims of the rival advocates of the two fiscal theories that it requires but a small pressure of adverse business conditions to swing the political pendulum from one extreme to the other. The protectionist points to the facts and vehemently declares that the prosperity of the country depends absolutely upon his policy. The free trader unfolds his theories, and with equal vehemence contends we can have no permanent prosperity until trade is free and all custom-houses abolished. And while the two sides are loudly proclaiming, the country is suffering from a more serious complaint than whether the duty on tooth brushes shall be 25 or 30 per cent., namely, an utter lack of business stability. These tariff hearings and threatened changes and actual changes of methods of collecting duties, of classification, and of rates of duty are simply playing havoc with business generally. Such never-ending changes must stop, and some sort of certainty be inaugurated before we can hope for permanent prosperity.

In 1882, as a member and secretary of the Tariff Commission, the writer first realized the magnitude and ramifications of the tariff laws. In some way or another, they affect the lives of millions of human beings. The interests involved in any changes of these laws are our entire foreign commerce—that is all our business with foreign countries. At home the tariff schedules cover manufacturing, mining, and fishing interests involving the actual employment of six or seven millions of people. Indirectly these laws affect nearly all our railways. Whether an article is made at home, and the material from which it is manufactured assembled at one point by our railways, or landed in a finished condition at some port, is a vital question to those engaged in transportation. The tariff likewise affects the agriculturist, directly by reason of a duty on his products, and indirectly because anything that brings prosperity to the nation improves the condition

of the farmer. The folly of subjecting these stupendous interests, involving the whole business of a nation of over seventy millions of people, to such periodical changes upward and downward is self-evident. The wonder is the people do not rise in their might and make it a penal offence, after the passage of the Dingley bill, for any person, statesman or otherwise, to talk protection or free trade for the period of ten years. "Let the tariff rest" should be the watchword when the bill made imperative to increase the revenue has become a law.

The tariff of 1897 may be said to have met with the customary opposition accorded such measures. Its schedules have been dissected with the usual vigor. While, on the one hand, it has been greeted by a chorus of complaints from importing interests, which will suffer both by increased duties and by changes from *ad valorem* to specific rates of duty, and from the representatives of foreign governments naturally adverse to higher duties, on the other hand, we have a much louder chorus of praise from the native producer. The fundamental difference between the Dingley bill and the Wilson-Gorman bill of 1894 is that there was no particular reason for the passage of the latter; whereas an absolute necessity exists for the speedy passage of the former. The effect on the country of the discussion of the Wilson bill should have warned the party in power that their proposed experiment was likely to prove a dangerous and costly one to the nation. Long before the bill passed, the "object lesson" had been noted, and the people wanted it reversed. It was a clear case of the patient's recovery from an imaginary illness on the arrival of the doctor. With the power in their hands, however, Mr. Wilson and his doctrinaire colleagues were determined to put the knife in, no matter where it cut nor how much blood it drew. It was an exemplification of their pet science in the destruction of the great productive interests of the country that these apostles of bankruptcy were after. The scars of that operation will not be effaced until this generation are in their graves.

The whole theory of the Wilson tariff from its inception was wrong. This is not said in a partisan spirit, but from a business point of view. First, it was laid out without proper consideration. The framers started with the idea of low duties, a big free list, and an income tax to make up the deficiency. Secretary Carlisle, an experienced tariff expert, called a halt to this,

and demonstrated that the proposed measure would result in an annual deficiency of probably $100,000,000. His astute mind also foresaw and he warned these gentlemen that the income tax with the $4,000 limitation clause in it would never stand. Then the patching began. Sugar was taken from the free list and put on the dutiable list; the same with iron ore and coal. Wool and lumber and cotton ties and some other things got left in the shuffle. The whole bill, as it finally passed, was scientifically, statistically, and politically a misfit. Nor could it have been otherwise. You cannot patch a tariff. It must be built up true to some lines and in accordance with some principles. You must know what revenue is needed. You must decide the relative proportion which your free list is to bear to the dutiable. You must ever have in view the necessity of levying duties so that they may be collected with certainty. You must bear in mind that a tariff in which the duties are specific is a constantly stiffening tariff, and yields increasing revenue, whereas the tendency of an *ad valorem* tariff is the reverse. I think the present tariff has demonstrated that the administration of the law, that is, the collection of the duties, is as important as the rate of duties. A tariff, to be fully protective, should protect American importers as much as American manufacturers and American wage-earners.

The present tariff law finds no defenders because, besides being inadequate from a revenue point of view and insufficient to protect the American producer, it has struck a deadly blow at our great importing interests. The American importer is threatened with annihilation because the present tariff law has repealed so many of the safeguards which experience has shown are necessary in the collection of duties. The recent hearings before the Ways and Means Committee show that the lawmakers of 1894 did things which in many respects were even worse than the reduction of rates of duty. By ill-considered and unaccountable changes of classification, and the use of obscure definitions and terms, as well as by the wholesale discarding of specific and compound rates of duty and the substitution of *ad valorem* rates, they not only produced a legislative hodge-podge, but deprived the government of at least a sixth of the revenue which it was estimated the law would secure, robbed domestic industries of a large share of the protection which the law ostensibly gave to

them, and seriously injured and crippled the business of honest importers. Under this law the revenue has gradually declined until to-day the country is brought face to face with an annual deficiency of over $65,000,000.

Necessity, not the desire for an experiment, confronted the Republican party when President McKinley called the special session of Congress to provide revenue for the government. The primary motive of the Dingley bill is to furnish the government revenue, and, as far as possible, to restore protection to industries which were ruthlessly stricken down by the present law. The hue and cry raised against the bill in certain quarters cannot be regarded as evidence against it. In 1883, the same attacks, clothed in precisely the same language, published in the same newspapers and emanating from the same sources, greeted the proposed bill of the Tariff Commission. Seven years later, when the McKinley bill was under consideration, the same critics were pointing to the Commission's report and its proposed law as wise and conservative, and the McKinley law was held up as the embodiment of retroaction and economic iniquity. Four years later, after a taste of the present tariff law, the populace flocked by hundreds of thousands to hear McKinley on the tariff question, demanding the re-enaction of the law of 1890, or something even more radical, and the election of the author to the highest office in the gift of the people. Whatever may be said of the Presidential campaign of 1896, it is certain that the Ohio State campaign of 1893, the Congressional campaign of 1894, and the several important State campaigns of 1895, were fought out with William McKinley and the tariff policy he represented as the vital issue, and won by large majorities on the protection issue and that issue alone. The Dingley bill needs no apologist. It comes in answer to the demand of a majority of the people of the United States, as expressed in four decisive campaigns, State, congressional, and national—that is, the campaigns of 1893, 1894, 1895, and 1896. It comes, moreover, in answer to the demands of the people that the national revenue shall be sufficient at all times to pay the expenses of the government as we go, and that American labor shall be protected against the labor of workmen receiving a lower rate of wages and living under different environments to the laborers of the United States. So long, therefore, as the Dingley law shall keep reasonably within

the bounds of these general requirements, it must be regarded not in the light of an economic experiment, but as the fulfilment of promises made by a great party to the people during a presidential campaign. A presidential campaign, be it remembered, preceded by three other more or less important contests, all of which were won by large majorities on the tariff question.

Having established its right of way, the next step is to decide whether or not the bill meets the requirements as above indicated. There is a difference of opinion on this point. It is contended that the bill is too highly protective. The same claim, with even greater vigor, was set up against the McKinley bill. And yet, from the non-dutiable point of view, the McKinley law was the greatest free trade measure this country has ever known. Under it the free list was increased from about one-third of our total imports in 1890 to six-tenths in 1894. In oth er words, for every hundred dollars of imports, sixty dollars' worth came in free under the McKinley law. Much of the criticism of the McKinley law has turned out unjust criticism, and some of the more fair-minded of its critics have admitted the truth of this assertion. Looking back to 1867 and 1868, when less than five per cent. came in duty free, we must realize that radical changes had been brought about—changes, too, that were surely in the interest of that broader trade and commerce which our free trade brethren delight to dilate upon. The wonder is that the free traders themselves have not made McKinley their patron saint, for the *per capita* duty collected the last year of the McKinley bill was lower than in any year since 1862, namely, $1.89; and, of course, has gone up to $2.20 under the present law. Under this same McKinley law the average *ad valorem* rate of duty on dutiable and free articles also reached the lowest point since the war, namely, 20.25 per cent. in 1894. It was a trifle lower, 20.23 per cent. in 1895, but in 1896 it increased slightly—20.67 per cent. So the McKinley law, by reason of its extended free list, gave us 60 per cent. of our imports free; it gave us the lowest *per capita* duty collected since the war and practically the lowest average *ad valorem* rates on all imported merchandise. The assailants of the Dingley bill would do well to recall these facts before their assaults reach the same degree of malignity which they did in 1890 when the McKinley bill was the object of abuse. Their great expectations of disaster and terrible prophecies of foreign

retaliation were wrong then, and may they not be wrong now? Their own panacea for the imaginary troubles which beset us—the Wilson-Gorman law—has proved a lamentable failure. Have we any assurance now that a similar measure, or a continuation of it, will relieve the real troubles that have fallen fast and thick upon the country since the party of free trade took the helm in 1893. We cannot trust either to luck or to the sale of bonds for revenue to pay current expenses when the way is open to us to raise by the taxation of foreign imports sufficient revenue to pay all the expenses of the national government.

The Dingley bill will undoubtedly raise sufficient revenue. It has been framed from the bottom up with the revenue idea fully in mind. In the four years ending the 30th of June next, we have run behind in our revenue over $200,000,000—or at the rate of $50,000,000 per annum. The coming fiscal year shows signs of increased deficiency. The revenue from imports is estimated at only $140,000,000 as against $203,000,000 for the year ended June 30, 1893. The problem which confronted Mr. Dingley and which now confronts the Senate Finance Committee is to so frame the tariff as to make up about $65,000,000, or to be on the safe side, say $75,000,000. Mr. Dingley secures the needed revenue in a variety of ways. First, he has changed the *ad valorem* rate of duty, wherever possible, to specific rates, thus insuring a more honest administration of our customs laws. In this way it has been variously estimated he will secure from $20,000,000 to $25,000,000 per annum now lost by the government by reason of undervaluation and frauds. In making these changes, the author of the bill has brought down upon himself the violent opposition of thousands of dishonest importers who gain no advantage over their more honest competitors under a law in which specific rates predominate. In this category we find the most vicious opponents of the bill. Next Mr. Dingley has gone to the sugar schedule, and by a just revision of the rates and a return to specific duties, he proposes to secure an additional $20,000,000. Under the present law there has been a decrease of about $20,000,000 in duties obtained from the wool and woollen schedule, and this it is proposed to recover by a practical return to the schedule of the McKinley law.

A strong fight has been put up against the proposed changes in the wool and woollen schedules, but it would seem to be

the only practical way out of the dilemma, and after a careful study of the situation the Senate Committee will come to substantially the same conclusion. If these three changes yield the amount of additional revenue anticipated, the problem is practically solved, for we have here $65,000,000. They may not; so, to make sure, Mr. Dingley has raised the rates in the spirits and tobacco schedules, put lumber back on the dutiable list, from whence it should never have been taken, and tightened up several other schedules, both with a view of increasing the revenue and of encouraging home industry. In two important schedules, those of iron aud steel, and of manufactures of cotton, the present law has not been materially changed. Throughout this bill, there has been no attempt to throttle industry by "taxing raw material" as some claim. Wool, lumber, and some other articles have been returned to the dutiable list, but all these industries were in a deplorable condition during the period the so-called "raw material" has been on the free list. Moreover, the progress of our manufacturing industries has undoubtedly been greatest during the period of a high protective tariff. If facts, history, and experience are of any value in solving a question like this, they are all on the side of a high protective tariff. The free trader has been pointing, with some degree of pride, to the increase of the exportation of manufactured articles during recent years. This increase is more apparent than real, and is obtained by including copper ingots, exports of oil, and like articles which are not affected one way or the other by the tariff. They do not and indeed can not point to any increase in the exportation of woollen goods or any other manufactured article which may be directly traced to a reduced duty—or the so-called freeing of the raw material. Nor does such argument cut any figure when applied to our export trade, because a rebate of 99 per cent. is allowed on the raw material or on any other imported material entering into exports of manufactures. On the contrary, free wool has injured rather than benefited our woollen manufacturers, and the whole argument in favor of free "raw material" has been effectually exploded by the practical miscarriage of the plan inaugurated by those who once so strongly advocated it. And this, in fact, is the last leg the free trader has to stand upon. The results of the folly of 1894 cling so persistent-

ly to our once active centres of industrial energy that the boldest free trader hesitates to push his theories, and instead clings tenaciously to the old error that "free raw materials" will soon give us the markets of the world, while it will inflict no loss on those who produce them in our own country. The answer to this argument may be found in the complete failure of the doctrine to achieve results since it has been put into operation.

The Dingley bill, which, with some modifications looking toward a greater degree of liberality in certain unimportant schedules, will become the tariff law of 1897. It meets the requirements of a reasonable tariff. What is a reasonable tariff? President McKinley has defined it by giving Lincoln's answer to the man who asked how long a man's legs should be. President Lincoln said long enough to reach from his body to the ground. So our tariff should be high enough to make up for the difference in wages paid here and abroad. It should be sufficient to protect American industry and American labor. It should, moreover, be just and equitable to all branches of industry. Irritating duties, unimportant from a revenue point of view, such as duties levied on scientific apparatus, and books for schools and colleges and libraries, and for all educational purposes, and on paintings, may with safety be avoided. There should be no discrimination. On that rock, I have shown the Wilson-Gorman tariff has gone to pieces. And, lastly, it must be framed from the foundation with a view to revenue necessities, and not founded on a theory which, as in the original Wilson bill, brought its framer face to face with a condition involving a two hundred million dollar deficit. It would seem that in the framing of the bill Mr. Dingley and his colleagues have followed along these lines, though perhaps not as closely as practicable. If the final results justify this conclusion, we may yet hope for a settlement of the tariff question, to be followed by a period of stability and business prosperity.

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